

Message Text

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SUBJ: PRESIDENT PEREZ ACCOUNTS FOR USE OF EXTRAORDINARY POWERS

1. PRESIDENT CARLOS ANDRES PEREZ ADDRESSED A JOINT SESSION OF CONGRESS JUNE 4 DURING WHICH HE DELIVERED A FORTY-NINE PAGE ACCOUNTING, AS REQUIRED BY LAW, OF HIS ADMINISTRATIONS'S USE OF THE EXTRAORDINARY POWER WHICH ENABLED HIM TO GOVERN BY DECREE IN THE ECONOMIC FIELD OVER THE LAST YEAR. BY MEANS OF THIS POWER, WHICH EXPIRED THE LAST DAY OF MAY, PRESIDENT PEREZ ISSUED A PLETHORA OF DECREES AFFECTING ALMOST ALL PHASES OF ECONOMIC LIFE IN VENEZUELA. THE SPEECH PROVIDED AN OUTLINE OF THE MOST IMPORTANT DECREES WHICH INCLUDED INTER ALIA THE NEW LAWS FOR BANKS AND FINANCIAL INSTITUTIONS, EXPORT INCENTIVES, INSURANCE COMPANIES, CAPITAL MARKETS, THE IRON NATIONALIZATION, PRICE CONTROLS, INCREASED MINIMUM WAGES, AND INCREASED MANDATORY EMPLOYMENT. HE CHOSE NOT TO INCLUDE TAX REFORM, WHICH BECAUSE OF ITS CONTROVERSIAL NATURE, SHOULD BE APPROVED BY CONGRESS. THE PETROLEUM REVERSION, BECAUSE OF ITS EXTREME IMPORTANCE TO THE ECONOMY ALSO HAS BEEN RESERVED FOR CONGRESSIONAL DELIBERATION.

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2. THE PRESIDENT DEPARTED FROM HIS PREPARED TEXT TO TAKE

THE CRITICS OF THE OIL NATIONALIZATION BILL TO TASK FOR THEIR UNDUE CONCERN WITH ARTICLE 5 WHICH WOULD PERMIT PARTICIPATION OF MIXED ENTERPRISES IN THE PETROLEUM INDUSTRY SUBSEQUENT TO THE REVERSION. HE SAID "WE WORRY MORE ABOUT THE HYPOTHETICAL FUTURE NECESSITY OF CREATING MIXED COMPANIES --- THAN WE DO ABOUT THE MEANS OF SECURING THE MANAGEMENT OF PETROLEUM IN THE HANDS OF VENEZUELANANS."

3. PRESIDENT PEREZ SEEMED TO BE SOMEWHAT ON THE DEFENSIVE CONCERNING THE SUCCESS OF THIS ECONOMIC PROGRAM THUS FAR. HE SAID THAT THE SPECIAL POWERS ALONE DID NOT PROVIDE A PANACEA FOR DEALING WITH THE EXTRAORDINARY PROBLEMS OF A HIGH COST OF LIVING, A DISTORTED DISTRIBUTION OF CONSUMPTION POWER, SHORTAGES OF DOMESTIC AGRICULTURAL AND MANUFACTURED GOODS AND HIGH UNEMPLOYMENT AND UNDEREMPLOYMENT.

4. COMMENT: PRESIDENT PEREZ IS OBVIOUSLY SENSITIVE TO THE FACT THAT DESPITE TREMENDOUS OIL REVENUES, THE PLIGHT OF THE LOW INCOME CLASS HAS NOT DRAMATICALLY IMPROVED. THERE CONTINUES TO BE GOVERNMENT MISMANAGEMENT, AND IN-GENERAL PRICE INDEX FOR THE TWELVE MONTHS ENDING IN MARCH. IN AN EFFORT TO COPE WITH INFLATION THE GOVERNMENT ANNOUNCED JUNE 2 ITS INTENTION TO RECUE THE BUDGET OF THE MINISTRIES AS WELL AS THE AUTONOMOUS INSTITUTIONS BY TEN PERCENT BEGINNING JULY 1. MANY OBSERVERS HOWEVER ARE SKEPTICAL CONCERNING THE POSSIBILITY OF SUCH A CUT IN EXPENDITURES GIVEN THE GOVERNMENT'S BUILT-IN COMMITMENTS.
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